

**PCCC for Global Engagement
Air Force Towed Decoy Production
(Long-Term Supplier Business Opportunity)
1997 AF Contracting Conference**

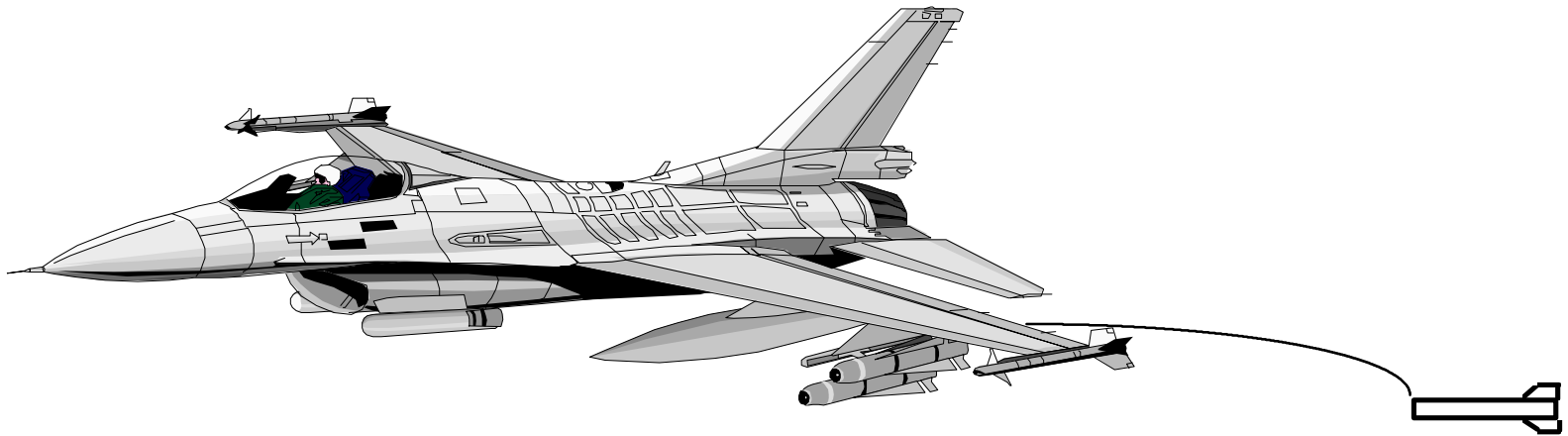


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AN/ALE-50 SYSTEM



ON-BOARD SYSTEMS

- DECOY SYSTEM
 - CONTROLLER
 - POWER SUPPLY
 - LAUNCHER

DECOY TOW LINE

- POWER TRANSMISSION
- CONTROLLER - DECOY COMMUNICATIONS

OFF-BOARD DECOY

- SELF-CONTAINED REPEATER
 - RECEIVE
 - MODULATE
 - AMPLIFY
 - TRANSMIT

Air Force Towed Decoy Production Cost Commitment Curve (PCCC)

EMD Program

- Single EMD award, no follower
- No RDP
- Quality and schedule problems
- Navy lead service
- Decoy focus
- A-6 cancellation
- Raytheon, Goleta, CA is Navy prime, LMSC sub-Kr
- ACAT III

AF Production Program

- Navy delegates production contracting
- Decoy; 2 AF launchers
- Joint ASP, 10 Jul 96
- RFP, 18 Nov 96
- Proposal, 22 Nov 96
- J&A approved, 30 Dec 96
- Negotiations complete, 31 Dec 96
- Contract award, 12 Feb 97
- ACAT II

Navy Leadership

AN/ALE-50(V)

Program Manager - Col Nolan Schmidt, PMA 272

PEO - RADM Jeffrey Cook, PEO(T)

AF Leadership

DAC - Maj Gen Rondal Smith, WR-ALC

PEO - Maj Gen Robert Raggio, AFPEO/FB

Guiding Strategy Considerations

- **Affordability in sole source environment**
 - **Long-term supplier**
 - **Competition**
- **Flexible (VIQ) Quantities for Joint Program**
- **Equitable, win-win business arrangement**
 - **Improved Raytheon performance**
- **Acceleration of Contracting Process**
 - **Teaming Initiative**
 - **Cost Model for each LRU**

Single Team Acquisition Results (STAR) Initiative

- **Single team of DCAA, DCMC, Contractor, and ASC SPO**
- **Cost model for production LRUs**
 - **Funded FY96 effort/task**
- **Concurrent audit effort**
 - **Minor effort for non-recurring**
 - **Audit agreement before proposal for recurring**
 - **No surprises**
- **Resources applied to issues, not to paper**

STAR Results

- **Accelerated contract award process**
 - **Total contract lead time - 87 days (RFP to award)**
 - **Streamlined proposal - 4 days (after RFP)**
 - **Pricing consistent w/Gov't Obj - <2% delta (profit)**
 - **Finalize audit and technical evaluation - 5 days**
 - **Negotiations - 2 days**
 - **Contract clearance - no legal or HQ comments**

Production Cost Model Philosophy

- **Up-front agreement between Government and Contractor for NTE costs of future lots**
- **Basis for contractual incentive and remedy structure**
- **Variable quantity and production break built in**
- **Model maintained via Users Manual**

Production Cost Model

- **Detailed model of the way Raytheon does business**
- **Required Inputs**
 - **Annual quantity**
 - **Length of production break**
- **Learning curves, factors, and rates based on plant history**
- **Material and labor costs/hours based on actuals from EMD history**

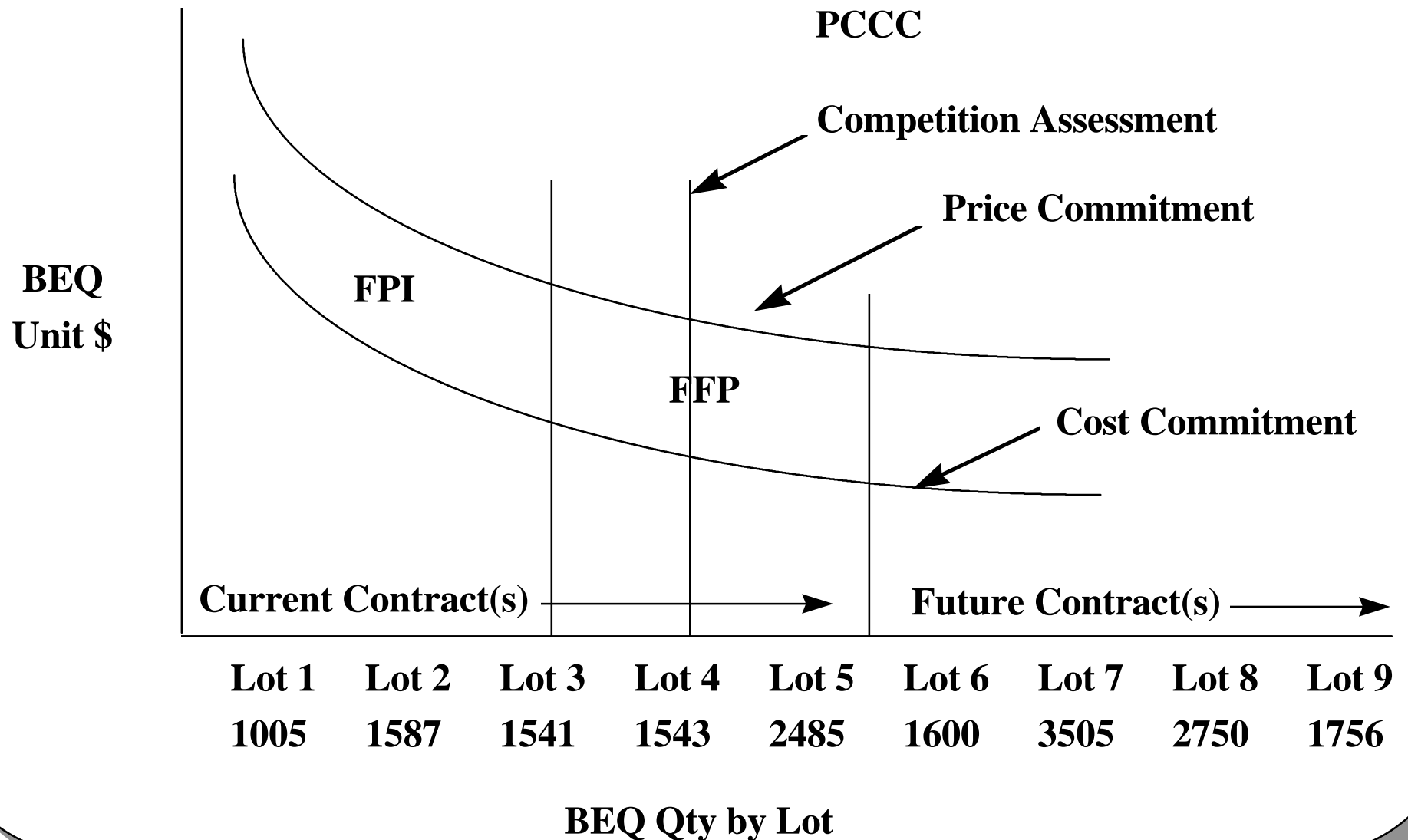
Cost Model Impact

- **Cost and cost control became primary focus area for team in EMD**
- **Cost Model product is cost/price basis of PCCC**
- **Eliminated need for paper cost proposal detail**
 - **CD ROM of recurring cost**
 - **Minimal nonrecurring cost volume**
- **Included DCAA and DCMC in cost model team - result: rapid production contracting (STAR Team concept)**

From PPCC to PCCC

- **Emphasis on program stability - survival**
- **IPT examined recent DoD experience with PPCC**
- **Senior level acquisition strategy panel concurred with PPCC-like philosophy for production**
- **PPCC not best tool for sole source**
 - **No competitive pressure to establish price line**
 - **Protect Gov't interests from cost escalation over cost commitment (profit)**
- **New tool to focus on cost commitment - PCCC**

PCCC Concept

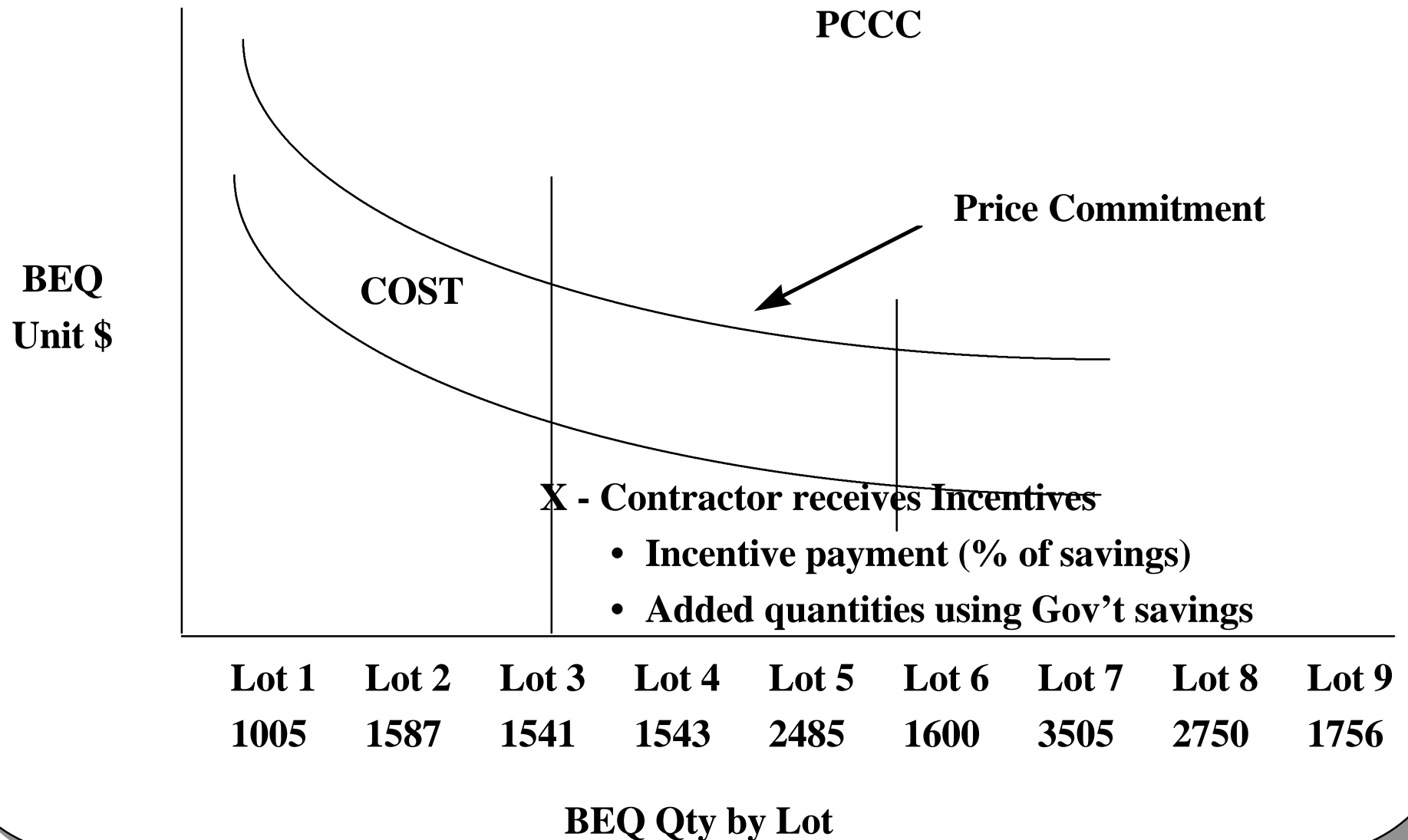


Terms and Conditions

Production Cost Commitment Curve

- **Derived from jointly developed cost/price models**
- **Establishes contractor's commitment for pricing**
 - **3 LRUs**
 - **Adjustments for:**
 - » **Quantity variations**
 - » **Class I ECPs/changes clause**
 - » **CAS noncompliance**
- **Incentives - Cost**
 - **Meets or improves on cost commitments**

PCCC Underrun



Terms and Conditions

Production Cost Commitment Curve (cont'd)

- **Incentives - Cost (Cont'd)**
 - **Sole source**
 - **Additional decoys, 1x2 launcher/controllers, or 1x4 spare launchers**
 - **No certified cost or pricing data**
 - **Physical configuration control**
 - **Repair source**
 - **COMMITMENT INCENTIVE PAYMENT**

Commitment Incentive Amount Example

% Below PCCC

>0% - 100%

Gov't/Ktr Share

50%/50%

Decoy Unit Cost Commitment

\$28,000

Proposed/Negotiated Unit Cost

\$24,640

Savings

\$3,360

Percent below PCCC Cost Commitment

12%

$12\% \times \$28,000 \times 50\% = \$1,680$ (Unit Commitment Incentive Amount)

Amount Earned: \$24,640 + profit + \$1,680

Commitment Incentive Amount

- **Commitment Incentive Amount Share**
 - **Dependent upon prior year quality/schedule performance**
 - **Notify contractor of any noncompliance**
 - **Variable from 50/50 → 70/30**
 - **PCO final authority on payment amount**

Commitment Incentive Amount Potential

Lot 2 - None

Base Profit	=10.84%
<u>Additional Profit</u>	= N/A
Total Profit	=10.84%

Lot 3 @ PCCC

Base Profit	=12.00%
<u>Additional Profit</u>	= N/A
Total Profit	=12.00%

Lot 3-20% under PCCC

Base Profit	=12.00%
Additional Profit	
20% @ 50/50	= <u>10.00%</u>
Total Profit	=22.00%

- Most likely savings (5%)

12.00%
+ 2.50%
<hr/> 14.50%

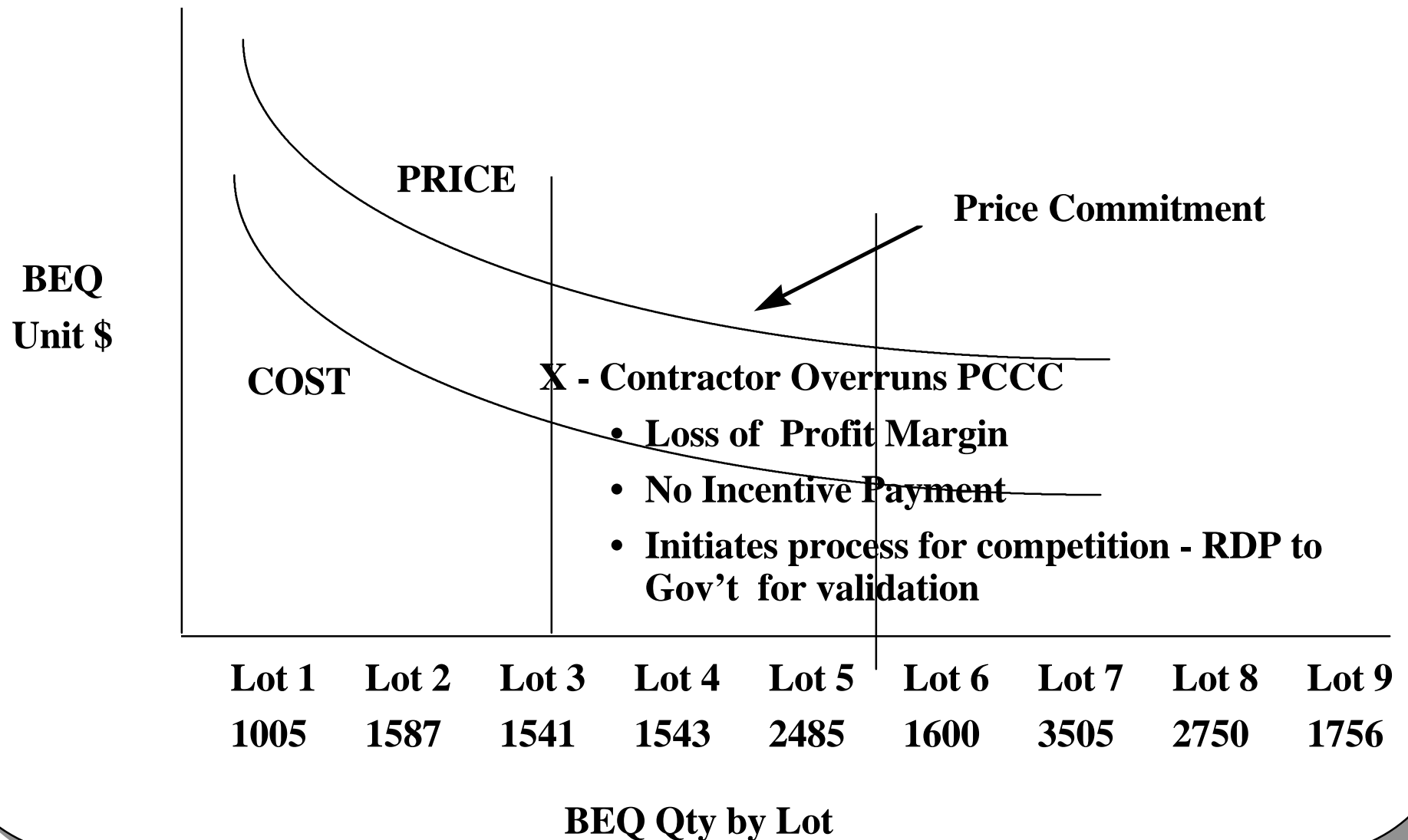
Nominal Target Profit
Additional Profit
Total Profit

- “Maximum” Savings (20%)

12.00%
+ 10.00%
<hr/> 22.00%

Nominal Target Profit
Additional Profit
Total Profit

PCCC Overrun at Cost

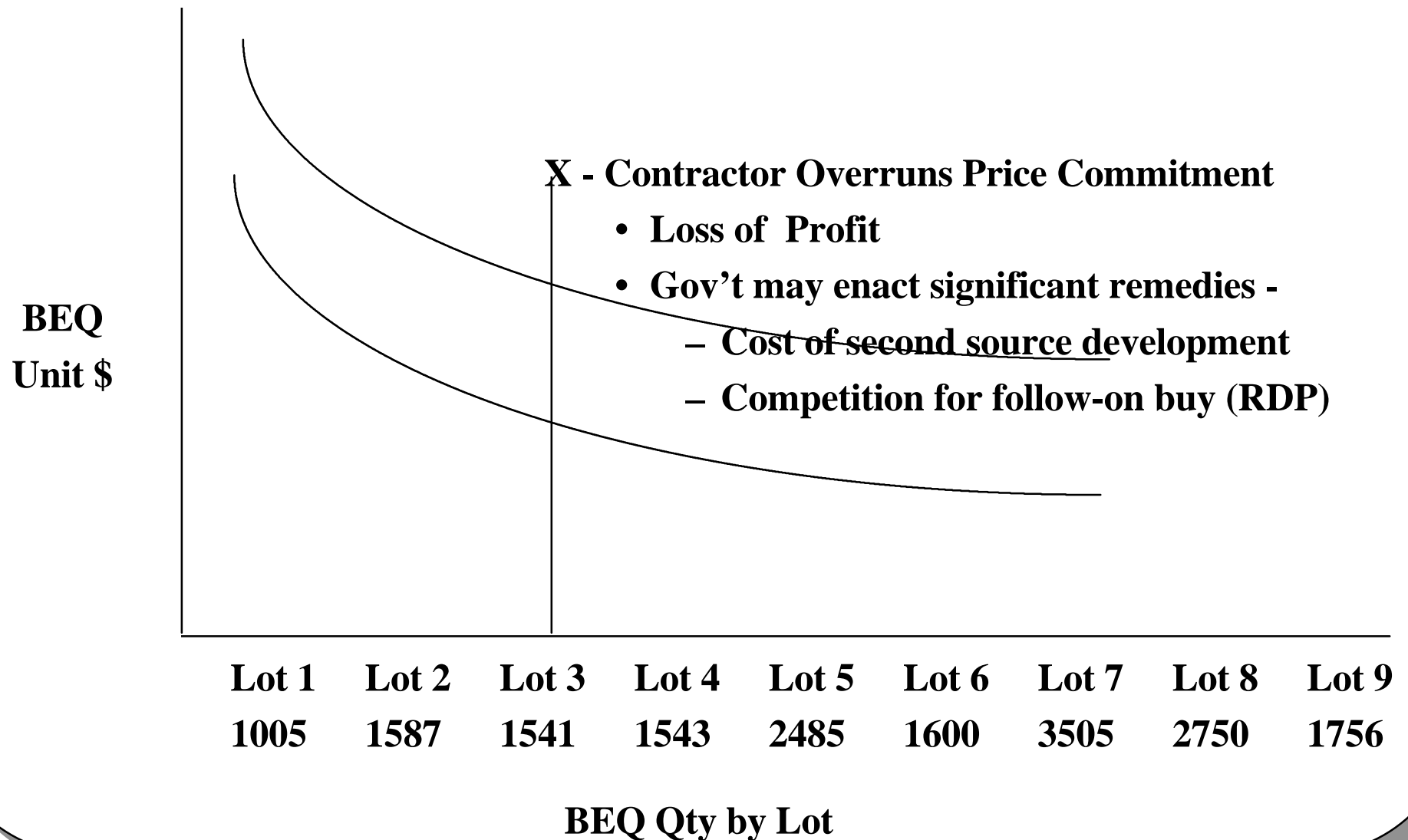


Terms and Conditions

Production Cost Commitment Curve (cont'd)

- **Remedies - Cost**
 - **Exceeds cost commitments**
 - **Delivery of Reprourement Data Package (RDP)**
 - » **Government purpose rights except specification controlled drawings of key components - decoys**
 - » **Government purpose rights - 1x2 launcher/controllers**
 - » **Unlimited rights - 1x4 launchers**
 - **Submittal of certified cost or pricing data**

PCCC Overrun at Price

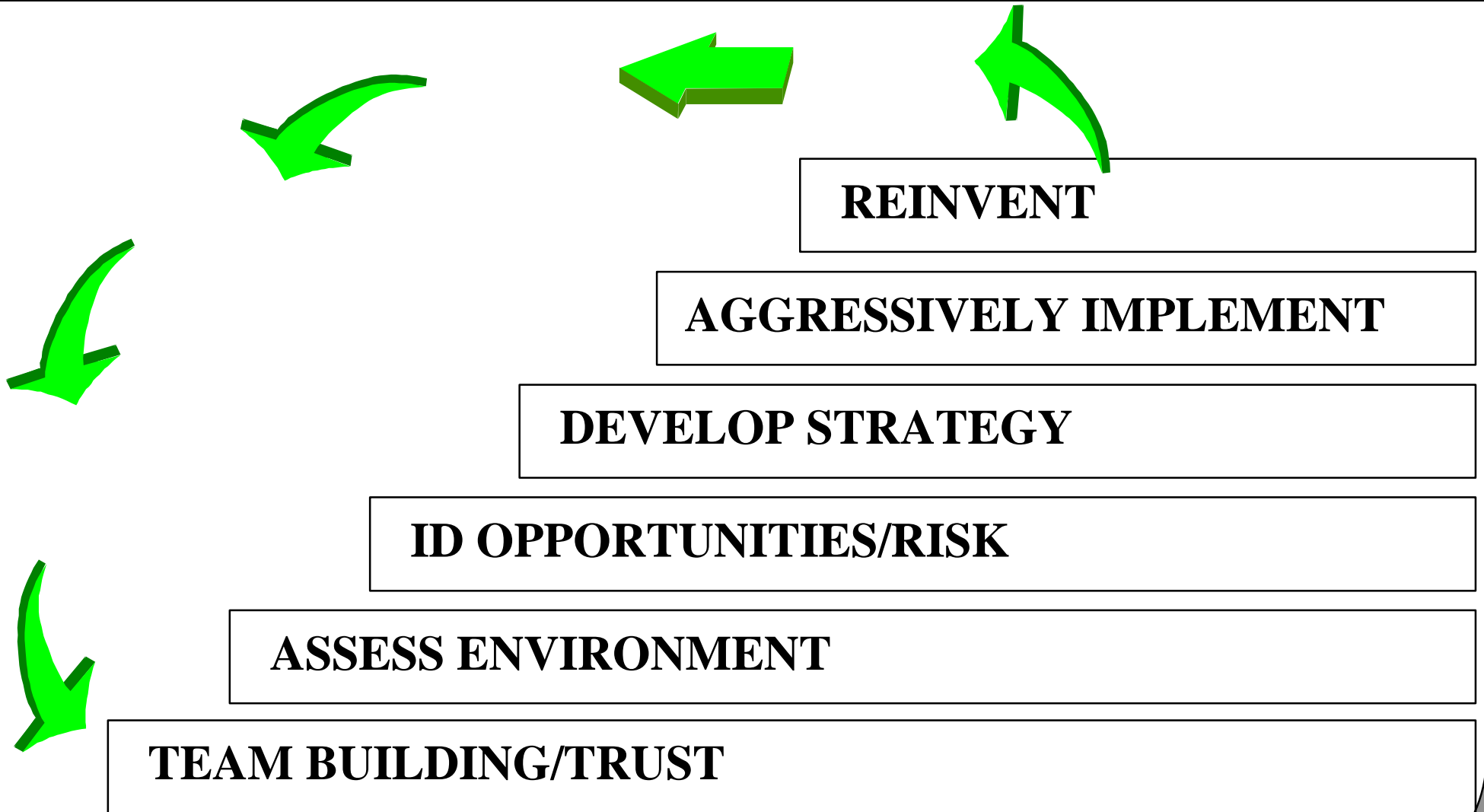


Terms and Conditions

Production Cost Commitment Curve (cont'd)

- **Remedies - Price**
 - **Exceeds price commitments**
 - **Government physical configuration control**
 - **Contractor provides technical services to support qualification of second source**
 - **Downward adjustment to unit price and/or delivery of additional units at no cost**
 - **Delivery of RDP**
 - » **Government purpose rights - decoys**

PCCC Is True Acquisition Reform



Summary

- **AF Towed Decoy Program initiatives**
 - **Production Cost Commitment Curves**
 - **Production Cost Modeling**
 - **STAR Teaming with DCAA, DCMC, Contractor**
- **Others considering ALE-50 initiatives**
 - **Navy MPLC**
 - **J-STARs**
- **Lesson: Use tools developed by others but tailor for unique program aspects**

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